

owner and to fulfill each of their obligations under the Act, the lease, and the regulations in this part.

(2) You must immediately notify the Regional Supervisor in writing if you terminate the designation of operator.

(3) If you terminate a designation of operator or a controversy develops between you and your designated operator, you and the operator must protect the lessor's interests.

(4) You or the lease operator must immediately notify the Regional Supervisor in writing of any change of address.

(b) Lessees and operating rights owners are jointly and severally responsible for performing nonmonetary lease obligations, unless otherwise provided in the regulations in this chapter. If the designated operator fails to perform any obligation under the lease or the regulations in this chapter, the Regional Director may require any or all of the co-lessees and operating rights owners to bring the lease into compliance.

[62 FR 27954, May 22, 1997]

EFFECTIVE DATE NOTE: At 62 FR 27954, May 22, 1997, § 250.8 was revised, effective Aug. 20, 1997. For the convenience of the user, the superseded text is set forth as follows:

§ 250.8 Designation of operator.

In all cases where operations are not conducted by an exclusive owner of record, a designation of operator shall be submitted to the Regional Supervisor prior to the commencement of operations. This designation will be accepted as authority for the operator, or the operator's local representative, to act on behalf of the lessee and to fulfill the lessee's obligations under the Act and the regulations in this part. All changes of address and any termination of the authority of the operator shall be reported immediately, in writing, to the Regional Supervisor. In case of a termination or in the event of a controversy between the lessee and the designated operator, both the lessee and the operator will be required to protect the interests of the lessor.

§ 250.9 Local agent.

When required by the Regional Supervisor or at the option of the lessee, the lessee shall designate a representative empowered to receive notices and comply with orders issued pursuant to the regulations in this part.

§ 250.10 Suspension of production or other operations.

(a) The Regional Supervisor may, on the Regional Supervisor's initiative or at the request of the lessee, suspend or temporarily prohibit production or any other operation or activity on all or any part of a lease (suspension) when the Regional Supervisor determines that such suspension is in the national interest and that the suspension is necessary as follows:

(1) To facilitate proper development of a lease including reasonable time to construct production facilities;

(2) To allow for the construction or negotiation for use of transportation facilities;

(3) To allow reasonable time to enter into a sales contract for oil, gas, or sulphur, when good faith efforts to secure such contract(s) are being made;

(4) To allow reasonable time to commence drilling operations when good faith efforts are prevented by reasons beyond the lessee's control, such as unexpected weather or unavoidable accidents; or

(5) To avoid continued operations which would result in premature abandonment of a producing well(s) or would not be economic.

(b) The Regional Supervisor may also direct or, at the request of the lessee, approve a suspension of any operation or activity, including production, because of the following:

(1) The lessee failed to comply with a provision of any applicable law, regulation, or order, or provision of a lease or permit;

(2) There is a threat of serious, irreparable, or immediate harm or damage to life (including fish and other aquatic life), property, any mineral deposit, or the marine, coastal, or human environment;

(3) The suspension is in the interest of national security or defense;

(4) The suspension is necessary for the implementation of the requirements of the National Environmental Policy Act or to conduct an environmental analysis;

(5) The suspension is necessary to facilitate the installation of equipment necessary for safety and environmental reasons;

(6) The suspension is necessary to allow for inordinate delays encountered by the lessee in obtaining required permits or consents, including administrative or judicial challenges or appeals; or

(7) The suspension is necessary to comply with judicial decrees prohibiting production or any other operation or activity, or the permitting of those activities, effective the date set by the court for that prohibition.

(c) If provided for by lease stipulation, the Regional Supervisor shall suspend or temporarily prohibit production or any other operation or activity pursuant to a lease when such lease is in water depths of 400 to 900 meters, provided that the suspension or temporary prohibition shall be for such period of time as is necessary to complete the activities described in a Development and Production Plan approved by the Regional Supervisor in accordance with §250.34. However, in no case shall the suspension under this paragraph be for periods of time which exceed a total of 5 years.

(d)(1) A suspension of production pursuant to paragraph (a) (1), (2), or (3) of this section may not be issued unless a well on the lease for which the suspension is requested has been drilled and determined to be producible in paying quantities in accordance with §250.11.

(2) For sulphur operations, a suspension of production pursuant to paragraph (a) (1), (2), or (3) of this section may not be issued unless a deposit on the lease for which the suspension is requested has been drilled and determined to be producible in paying quantities in accordance with 30 CFR 250.253.

(e) Except as provided in paragraph (c) of this section, suspensions under this section may be granted for periods of time each of which shall not exceed 5 years.

(f) When the Regional Supervisor orders or approves a suspension pursuant to paragraph (a), (b), or (c) of this section, the term of the lease shall be extended for a period of time equal to the period that the suspension is in effect, except that no lease shall be so extended when the suspension is the result of the lessee's gross negligence or

willful violation of the lease or governing regulations.

(g) The Regional Supervisor may, at any time within the period prescribed for a suspension issued pursuant to paragraph (b)(2) of this section, require the lessee to submit a plan for approval, disapproval, or modification in accordance with subpart B, Exploration and Development and Production Plans.

(h)(1) When the Regional Supervisor directs or grants a suspension pursuant to paragraph (b)(2) of this section, the Regional Supervisor may require the lessee to conduct a site-specific study(s) to identify and evaluate the cause(s) of the hazard(s) generating the suspension, the potential damage from the hazard(s), and the measures available for mitigating the hazard(s). A reasonable scope of the study(s) shall be approved or prescribed by the Regional Supervisor. The lessee shall furnish copies and all results of the study(s) to the Regional Supervisor. The cost of the study(s) shall be borne by the lessee unless the Regional Supervisor arranges for the cost of the study(s) to be borne by a party(s) other than the lessee. The Regional Supervisor shall make such results available to interested parties and to the public.

(2) On the basis of the results of the study or studies conducted in accordance with paragraph (h)(1) of this section and other information available to and identified by the Regional Supervisor, the Regional Supervisor shall require the lessee to take appropriate measures to mitigate or avoid the damage or potential damage, which resulted in the suspension or temporary prohibition of production or of any other operation or activity, as a condition for permitting the resumption of exploration, development, or production activities on the lease. The lessee shall submit, when deemed appropriate by the Regional Supervisor, a revised Exploration Plan or a revised Development and Production Plan in accordance with §250.34 of this part. The revised plan shall incorporate the mitigating measures required by the Regional Supervisor. In choosing between alternative mitigating measures, the Regional Supervisor will balance the cost of the required measures against

the reduction or potential reduction in damage or threat of damage or harm to life (including fish and other aquatic life), to property, to any mineral deposits (in areas leased or not leased), to the national security or defense, or to the marine, coastal, or human environment.

(i) The lessee must submit with a request for a suspension of production the reasons for requesting the suspension, a schedule of work leading to the commencement or restoration of production or any other operation or activity, and any other information the Regional Supervisor may require.

(j) Any suspension may be terminated at any time when the Director determines that the circumstances which justified the granting of the suspension no longer exist. When the Director terminates a suspension prior to the end of the period of time for which the suspension was originally granted, the Director shall specify in the notice of termination the reason(s) for the termination and the effective date for the termination of the suspension.

(k) Any suspension shall terminate automatically upon the commencement of production or any other suspended operation or activity.

[53 FR 10690, Apr. 1, 1988 as amended at 56 FR 32099, July 15, 1991]

§ 250.11 Determination of well producibility.

Upon receiving a written request from the lessee, the District Supervisor will determine whether a well is capable of producing in paying quantities (production of oil, gas, or both in quantities sufficient to yield a return in excess of the costs, after completion of the well, of producing the hydrocarbons at the wellhead.) Such a determination shall be based upon the following:

(a) A production test for oil wells shall be of at least 2 hours' duration following stabilization of flow. A deliverability test for gas wells shall be of at least 2 hours' duration following stabilization of flow or a four-point back-pressure test. The lessee shall provide the District Supervisor a reasonable opportunity to witness all tests. Test data accompanied by the lessee's affidavit, or third-party test data, may be

accepted in lieu of a witnessed test, provided prior approval is obtained from the District Supervisor.

(b) In the Gulf of Mexico OCS Region, the following shall also be considered collectively as reliable evidence that a well is capable of producing oil or gas in paying quantities:

(1) A resistivity or induction electric log of the well showing a minimum of 15 feet of producible sand in one section that does not include any interval which appears to be water-saturated. In some cases, wells with less than 15 feet of producible sand in one section may be approved by the District Supervisor. All of the section counted as producible shall exhibit the following properties:

(i) Electrical spontaneous potential exceeding 20-negative millivolts beyond the shale base line. If mud conditions prevent a 20-negative millivolt reading beyond the shale base line, a gamma ray log deflection of at least 70 percent of the maximum gamma ray deflection in the nearest clean water-bearing sand may be substituted.

(ii) A minimum true resistivity ratio of the producible section to the nearest clean water-bearing sand of at least 5:1.

(2) A log indicating sufficient porosity in the producible section.

(3) Sidewall cores and core analyses which indicate that the section is capable of producing oil or gas or evidence that an attempt was made to obtain such cores.

(4) A wireline formation test and/or mud-logging analysis which indicates that the section is capable of producing oil or gas, or evidence that an attempt was made to obtain such tests.

§ 250.12 Cancellation of leases.

(a)(1) The Secretary may terminate a suspension and cancel a lease as follows after notice and opportunity for a hearing when:

(i) Continued activity pursuant to the lease or permit would probably cause serious harm or damage to life (including fish and other aquatic life), property, other mineral deposits (in areas leased or not leased), or the marine, coastal, or human environment;